

Message Text

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ACTION NEA-10

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SUBJ: WHITE PAPER ON BANGLADESH ECONOMY

1. SUMMARY. SEPTEMBER 12 WHITE PAPER ON ECONOMIC SITUATION DESCRIBES CURRENT ECONOMIC PLIGHT WITH REFRESHING CANDOR, BUT OFFERS NO SPECIFIC REMEDIES. WE BELIEVE IT WILL PROVE TO BE FIRST STEP TOWARD MORE PRAGMATIC ECONOMIC POLICY DECISION MAKING, INCLUDING DENATIONALIZATION OF BENGALI-OWNED JUTE MILLS BUT IT COULD ALSO TURN OUT TO SERVE MERELY AS BASIS FOR BLAMING OVER TIME, CURRENT ILLS ON PAST EVILS OF MUJIB GOVERNMENT. END SUMMARY

2. PRESIDENT'S SECRETARIAT ISSUED SEPTEMBER 12 A WHITE PAPER ON THE ECONOMIC SITUATION IN BANGLADESH. PAPER STATES PRESIDENT MUSHTAQUE'S CONCERN FOR ECONOMIC SITUATION AND HIS FEELING IT IMPERATIVE TO TAKE PEOPLE INTO CONFIDENCE. SINCE INDEPENDENCE, DESPITE UNBOUND ZEAL OF PEOPLE, RATHER THAN ENCOURAGING PRODUCTIVE FORCES, (PAST GOVERNMENT) CREATED AN "ECONOMY AUTOCRACY" WHICH RESULTED IN "FINANCIAL ANARCHY" AND LARGE SCALE SUFFERING. ECONOMY HAS REACHED STAGE OF STAGNATION AND THERE IS COLOSSAL TASK AHEAD OF GOVERNMENT AND PEOPLE TO "RESTORE ECONOMIC

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ORDER...AND MITIGATE SUFFERING OF GROANING MILLIONS". PAPER THEN DETAILS SERIOUSNESS OF SITUATION WITH 74/75 AGRICULTURAL AND INDUSTRIAL PRODUCTION BELOW 69/70 LEVEL DESPITE \$1.75 BILLION IN INVESTMENTS. PAPER CITES FAILURE OF AGRICULTURE TO KEEP PACE WITH POPULATION, WHICH, GROWING AT 3 PERCENT, WILL DOUBLE IN 25 YEARS; CONTINUED NEED FOR FOOD IMPORTS; DECLINE IN RAW JUTE ACREAGE AND PRODUCTION, AND PLACES GREAT EMPHASIS ON LOSSES BY NATIONALIZED INDUSTRIES, ESTIMATED AT WHOPPING TAKA 5.5 BILLION IN 74/75; AND ALSO CITES DEFICIT FINANCING, FOUR-FOLD PRICE RISE, AND BALANCE OF PAYMENTS CRISES. PAPER CONCLUDES: "THE IMMEDIATE TASK IS TO PUT THE ECONOMY ON AN EVEN KEEL AND BRING BACK SANITY, RATIONALITY AND DISCIPLINE IN ECONOMIC POLICY AND MANAGEMENT. KEEPING IN VIEW THE FOUR BASIC STATE PRINCIPLES, NAMELY DEMOCRACY, SOCIALISM, SECULARISM AND NATIONALISM THE APPROACH SHOULD BE PRAGMATIC. A REALISTIC ACTION PROGRAM NEED BE DEVELOPED TO REMOVE CONSTRAINTS AND FULLY MOBILIZE AND CONSERVE RESOURCES IN THE ECONOMIC FIELD." TEXT FOLLOWS BY AIRGRAM.

3. COMMENT. WHILE PAPER IS IN WELL-ESTABLISHED POLITICAL TRADITION OF PAINTING DESPERATE SITUATION FACING NEW GOVERNMENT AS ONE INHERITED

FROM PREDECESSORS. HOWEVER, WHILE USING 69/70 DATA AS BASELINE THROUGHOUT, PAPER DOES NOT REPEAT NOT POINT TO PRE-INDEPENDENCE PAKISTANI RULE (AS MUJIB INVARIABLY DID), BUT ONLY TO POST-INDEPENDENCE GOVERNMENT, AND THUS TO THE MUJIB GOVERNMENT AS RESPONSIBLE FOR CURRENT ECONOMIC SITUATION. WHILE PAPER TELLS US NOTHING WE DIDN'T KNOW ALREADY, AND OFFERS NO SPECIFICS

ON GOVERNMENT'S FUTURE POLICY DECISIONS, IT IS SUCCINCT STATEMENT OF MAJOR PROBLEMS AND FIRST OF SUCH CANDOR SINCE THE EARLIEST ECONOMIC REVIEWS ISSUED WELL BEFORE SECOND REVOLUTION. PAPER WAS DRAFTED IN BANGLADESH BANK BY PRESIDENT'S NEW TEAM OF ECONOMIC ADVISORS. WE UNDERSTAND IT IS INTENDED AS FIRST STEP TOWARD TACKLING OUTSTANDING PROBLEMS ON A MORE PRAGMATIC BASIS, INCLUDING FREEING UP OF ECONOMY GENERALLY AND PERHAPS DENATIONALIZING BENGALI-OWNED JUTE MILLS SPECIFICALLY. IT IS ACCORDINGLY A MOST WELCOME DEVELOPMENT. HOWEVER, IT COULD YET PROVE TO SERVE MERELY AS ONE-SHOT POLITICAL DOCUMENT, BLAMING ALL PRESENT ECONOMIC ILLS ON EVILS OF MUJIB'S RULE.
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